

AMERICANS FOR PROSPERITY
(A Subsidiary of Americans for
Prosperity Foundation)

Financial Statements
With Independent Auditors' Report

December 31, 2018 and 2017

AMERICANS FOR PROSPERITY
(A Subsidiary of Americans for Prosperity Foundation)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Americans for Prosperity
Arlington, Virginia

We have audited the accompanying financial statements of Americans for Prosperity, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Americans for Prosperity
Arlington, Virginia

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Americans for Prosperity as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Americans for Prosperity has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This has had a material effect on the presentation of the December 31, 2018 and 2017 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

New York, New York
October 4, 2019

AMERICANS FOR PROSPERITY

(A Subsidiary of Americans for Prosperity Foundation)

Statements of Financial Position

	December 31,	
	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 20,781,703	\$ 12,717,751
Other receivable	210,203	23,900
Prepaid expenses and other assets	474,244	352,896
Due from subsidiary	914,392	2,315,622
Total current assets	<u>22,380,542</u>	<u>15,410,169</u>
Property and equipment–net	38,784	96,174
Total Assets	<u>\$ 22,419,326</u>	<u>\$ 15,506,343</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,390,416	\$ 2,693,013
Due to subsidiary	287,224	-
Total current liabilities	<u>2,677,640</u>	<u>2,693,013</u>
Net assets		
Without donor restrictions	19,618,015	12,689,659
With donor restrictions	123,671	123,671
Total net assets	<u>19,741,686</u>	<u>12,813,330</u>
Total Liabilities and Net Assets	<u>\$ 22,419,326</u>	<u>\$ 15,506,343</u>

See notes to financial statements

AMERICANS FOR PROSPERITY
 (A Subsidiary of Americans for Prosperity Foundation)

Statements of Activities

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 94,581,843	\$ 1,140,435	\$ 95,722,278	\$ 56,766,336	\$ 229,834	\$ 56,996,170
Contributed services and gift-in-kind	26,789,978	-	26,789,978	25,374,514	-	25,374,514
Miscellaneous income	821,906	-	821,906	582,725	-	582,725
Total Support and Revenue	<u>122,193,727</u>	<u>1,140,435</u>	<u>123,334,162</u>	<u>82,723,575</u>	<u>229,834</u>	<u>82,953,409</u>
RECLASSIFICATION						
Net assets released from restriction by satisfaction of program restrictions	1,140,435	(1,140,435)	-	229,869	(229,869)	-
EXPENSES						
Program services						
National activities	67,017,359	-	67,017,359	24,828,730	-	24,828,730
State chapter activities	27,268,170	-	27,268,170	34,770,505	-	34,770,505
	<u>94,285,529</u>	<u>-</u>	<u>94,285,529</u>	<u>59,599,235</u>	<u>-</u>	<u>59,599,235</u>
Supporting activities						
Management and general	16,635,839	-	16,635,839	13,620,140	-	13,620,140
Fundraising and membership development	5,484,438	-	5,484,438	3,843,644	-	3,843,644
	<u>22,120,277</u>	<u>-</u>	<u>22,120,277</u>	<u>17,463,784</u>	<u>-</u>	<u>17,463,784</u>
Total Expenses	<u>116,405,806</u>	<u>-</u>	<u>116,405,806</u>	<u>77,063,019</u>	<u>-</u>	<u>77,063,019</u>
Change in Net Assets	6,928,356	-	6,928,356	5,890,425	(35)	5,890,390
Net Assets, Beginning of Year	<u>12,689,659</u>	<u>123,671</u>	<u>12,813,330</u>	<u>6,799,234</u>	<u>123,706</u>	<u>6,922,940</u>
Net Assets, End of Year	<u><u>\$ 19,618,015</u></u>	<u><u>\$ 123,671</u></u>	<u><u>\$ 19,741,686</u></u>	<u><u>\$ 12,689,659</u></u>	<u><u>\$ 123,671</u></u>	<u><u>\$ 12,813,330</u></u>

See notes to financial statements

AMERICANS FOR PROSPERITY
 (A Subsidiary of Americans for Prosperity Foundation)

Statements of Cash Flows

	<u>Year Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,928,356	\$ 5,890,390
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	59,588	166,551
Change in		
Other receivable	(186,303)	(21,393)
Prepaid expenses and other assets	(121,348)	230,433
Accounts payable	(302,597)	805,772
Due to/from subsidiary, net	1,688,454	(4,126,366)
Net Cash Provided by Operating Activities	<u>8,066,150</u>	<u>2,945,387</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,198)	-
Net Cash Used for Investing Activities	<u>(2,198)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	8,063,952	2,945,387
Cash and Cash Equivalents, Beginning of Year	<u>12,717,751</u>	<u>9,772,364</u>
Cash and Cash Equivalents, End of Year	<u>\$ 20,781,703</u>	<u>\$ 12,717,751</u>

See notes to financial statements

AMERICANS FOR PROSPERITY
 (A Subsidiary of Americans for Prosperity Foundation)

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services			Supporting Services			Total Expense	
	National Activities	State Chapter Activities	Total Program Services	Management and General	Fundraising and	Total Supporting Services		
					Membership Development			
Communications, ads, media	\$ 26,202,849	\$ 13,881,593	\$ 40,084,442	\$ 3,957	\$ 218,075	\$ 222,032	\$ 40,306,474	
Salaries, benefits and payroll taxes	\$ 16,385,812	\$ 5,115,834	\$ 21,501,646	\$ 3,942,319	\$ 1,543,128	\$ 5,485,447	\$ 26,987,093	
Printing, duplication	13,798	61,605	75,403	6,168	549,989	556,157	631,560	
Professional fees, consulting	17,511,778	2,991,002	20,502,780	9,099,169	1,326,827	10,425,996	30,928,776	
Postage, courier, overnight	1,876,662	1,344,853	3,221,515	17,567	881,683	899,250	4,120,765	
Meetings, conferences and events	573,128	648,717	1,221,845	-	3,726	3,726	1,225,571	
Travel	2,074,737	1,915,048	3,989,785	80,076	159,664	239,740	4,229,525	
Computers/IT service	16,607	15,076	31,683	3,497	1,025	4,522	36,205	
Legal and audit fees	178,848	2,141	180,989	269,522	58	269,580	450,569	
Honoraria	2,388	2,250	4,638	334	278	612	5,250	
Contributions/sponsorship	133,622	111,616	245,238	7,441	6,184	13,625	258,863	
Taxes, licenses and fees	8,770	2,099	10,869	5,543	306	5,849	16,718	
Miscellaneous	826	171	997	115,928	23	115,951	116,948	
Telecommunications	43,770	14,979	58,749	770,702	3,798	774,500	833,249	
Bank and other fees	1,217	1,976	3,193	48,917	120,018	168,935	172,128	
Subscriptions and publications	107,967	17,447	125,414	8,326	1,657	9,983	135,397	
List rental	90	47	137	15	441,372	441,387	441,524	
Other payroll related expenses	300,900	533,725	834,625	113,093	1,281	114,374	948,999	
Office and equipment maintenance	29,392	8,946	38,338	21,209	2,000	23,209	61,547	
Office supplies and expense	174,776	145,586	320,362	38,213	11,209	49,422	369,784	
Occupancy	1,330,492	411,687	1,742,179	2,039,382	83,294	2,122,676	3,864,855	
Membership	6,955	16,214	23,169	37,167	909	38,076	61,245	
Depreciation	38,782	11,946	50,728	6,457	2,403	8,860	59,588	
Gifts and grants	3,193	13,612	16,805	837	125,531	126,368	143,173	
Total Functional Expenses	\$ 67,017,359	\$ 27,268,170	\$ 94,285,529	\$ 16,635,839	\$ 5,484,438	\$ 22,120,277	\$ 116,405,806	

See notes to financial statements

AMERICANS FOR PROSPERITY
 (A Subsidiary of Americans for Prosperity Foundation)

Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services			Supporting Services			Total Expense
	National Activities	State Chapter Activities	Total Program Services	Management and General	Fundraising and Membership Development	Total Supporting Services	
Communications, ads, media	\$ 237,217	\$ 7,525,277	\$ 7,762,494	\$ 78,685	\$ 403,732	\$ 482,417	\$ 8,244,911
Salaries, benefits and payroll taxes	6,319,132	12,829,147	19,148,279	2,686,381	1,415,690	4,102,071	23,250,350
Printing, duplication	5,156	82,565	87,721	813	22,272	23,085	110,806
Professional fees, consulting	16,262,708	7,746,444	24,009,152	8,387,028	811,192	9,198,220	33,207,372
Postage, courier, overnight	86,565	923,178	1,009,743	7,856	370,354	378,210	1,387,953
Meetings, conferences and events	359,808	348,344	708,152	26,819	320,704	347,523	1,055,675
Travel	1,104,707	2,340,162	3,444,869	180,582	227,960	408,542	3,853,411
Computers/IT service	42,857	67,825	110,682	18,539	16,991	35,530	146,212
Legal and audit fees	77,031	2,777	79,808	261,445	-	261,445	341,253
Honoraria	19,980	10,455	30,435	-	-	-	30,435
Contributions/sponsorship	15,682	162,128	177,810	2,857	3,061	5,918	183,728
Taxes, licenses and fees	58	-	58	10,366	1,725	12,091	12,149
Miscellaneous	9,853	13,910	23,763	4,295	1,531	5,826	29,589
Telecommunications	76,038	121,554	197,592	698,344	12,568	710,912	908,504
Bank and other fees	8,588	14,297	22,885	4,519	61,084	65,603	88,488
Subscriptions and publications	60,773	25,944	86,717	28,739	23,355	52,094	138,811
List rental	77	850	927	60	123,127	123,187	124,114
Other payroll related expenses	937	30,738	31,675	1,680	907	2,587	34,262
Office and equipment maintenance	22,164	44,705	66,869	18,951	6,703	25,654	92,523
Office supplies and expense	36,076	280,481	316,557	20,210	8,677	28,887	345,444
Occupancy	8,302	2,000,041	2,008,343	1,139,465	2,304	1,141,769	3,150,112
Membership	1,589	24,626	26,215	12,834	714	13,548	39,763
Depreciation	55,107	75,027	130,134	27,855	8,562	36,417	166,551
Gifts and grants	18,325	100,030	118,355	1,817	431	2,248	120,603
Total Functional Expenses	\$ 24,828,730	\$ 34,770,505	\$ 59,599,235	\$ 13,620,140	\$ 3,843,644	\$ 17,463,784	\$ 77,063,019

See notes to financial statements

AMERICANS FOR PROSPERITY
(A Subsidiary of Americans for Prosperity Foundation)

Notes to Financial Statements

December 31, 2018 and 2017

1. NATURE OF ORGANIZATION

Americans for Prosperity (AFP) was incorporated on March 10, 2004. AFP is a nationwide organization of citizen leaders committed to greater economic growth, opportunity, and prosperity through strong ethical foundations, government restraint and private sector productivity, economic freedom and competition. AFP mobilizes citizens to advance economic freedom. AFP's support comes primarily from individual and business donors.

AFP is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. AFP is liable for income taxes on unrelated business income. There was no taxable net unrelated business income for the years ended December 31, 2018 and 2017. Accordingly, no provision for income taxes has been made in these financial statements. The 2015, 2016, and 2017 tax years are open and subject to examination by the Internal Revenue Service (IRS), Virginia Department of Revenue, and various other state taxing agencies. Currently, AFP is under audit by the IRS for the 2016 tax year.

AFP is a subsidiary of Americans for Prosperity Foundation (APPF) and is required to be consolidated with APPF due to APPF's ability to appoint AFP's board. Because of this, these financial statements are included in separately issued consolidated financial statements of Americans for Prosperity Foundation and Subsidiary.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, AFP considers all highly liquid instruments with a maturity of three months or less to be cash equivalents. Accounts are insured up to \$250,000 by the FDIC. At December 31, 2018 and 2017, the cash accounts exceeded FDIC insured limits by approximately \$20,875,000 and \$12,268,000, respectively. However, AFP has not experienced any losses on these accounts and does not believe it is exposed to any significant risk.

AFP maintained a segregated bank account as required by the Federal Elections Commission for its express advocacy and lobbying activity. This account had balances of \$507,951 and \$706,886 at December 31, 2018 and 2017, respectively, and is included in cash and cash equivalents on the statements of financial position.

AMERICANS FOR PROSPERITY
(A Subsidiary of Americans for Prosperity Foundation)

Notes to Financial Statements

December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

PROPERTY, EQUIPMENT, AND DEPRECIATION

Individual items over \$1,000 and bulk purchases totaling over \$5,000 are capitalized as property and equipment and are reported at cost, or if donated, at fair market value on the date of donation. AFP reports donations of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Assets reported as property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, generally three to ten years.

SUPPORT, REVENUE, AND RECLASSIFICATIONS

Contributions received are recorded as support without or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a stipulated time restriction ends or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

CONTRIBUTED SERVICES

AFP recognizes contributed support for services received at the fair value of those services and that meet generally accepted accounting principles reporting requirements. These contributed services consist of donated media, consulting, technology, and insurance services. For the years ended December 31, 2018 and 2017, AFP reported \$26,789,978 and \$25,374,514, respectively, of contributed services that met reporting standards and are reported in the statements of functional expenses as components of the following:

	Year Ended December 31,	
	2018	2017
Communications, ads, media	\$ -	\$ 12,150
Professional fees, consulting and technology services	24,008,487	23,302,143
Insurance	<u>2,781,491</u>	<u>2,060,221</u>
	<u><u>\$ 26,789,978</u></u>	<u><u>\$ 25,374,514</u></u>

Many volunteers have contributed numerous hours of administrative, maintenance and fundraising services to AFP. However, these hours do not meet the requirements to be recorded as revenue and expense under the *Contributions* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

AMERICANS FOR PROSPERITY
(A Subsidiary of Americans for Prosperity Foundation)

Notes to Financial Statements

December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

FUNCTIONAL ALLOCATION OF EXPENSES

AFP allocates its expenses on a functional basis among its various programs, management and general, and fundraising and membership development. Expenses that can be identified with a specific program, management and general, and fundraising and membership development are allocated directly according to their natural expenditure classification which includes expenses for ads and media. Other expenses that are common to both program functions and supporting services are allocated based on time studies performed by management. These expenses include salaries and benefits, professional fees, occupancy, and depreciation.

ADVERTISING

AFP utilizes print, radio and television ads to increase their activist base and bring their mission to the public. These costs are expensed as incurred and totaled \$40,306,474 and \$8,244,911 for the years ended December 31, 2018 and 2017, respectively. These costs are charged directly to the program they benefit.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. AFP adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe the categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3), and disclosures related to functional allocation of expenses were expanded.

AMERICANS FOR PROSPERITY
 (A Subsidiary of Americans for Prosperity Foundation)

Notes to Financial Statements

December 31, 2018 and 2017

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects AFP's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, as well as board designations, within one year of the statements of financial position date.

Financial assets	
Cash and cash equivalents	\$ 20,781,703
Other receivable	210,203
Due from subsidiary	914,392
Financial assets, at year end	<u>21,906,298</u>
Less those unavailable for general expenditure within one year, due to	
Contractual or donor-imposed restrictions	
Restrictions by donors with time or purpose restrictions	(123,671)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 21,782,627</u>

AFP is substantially supported by contributions on an unrestricted and restricted basis. Those contributions with donor restriction require resources to be used in a particular manner or in a future period. AFP must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. AFP has \$123,671 in net assets with donor restrictions for projects, of which \$-0- is considered available to meet needs for general expenditures within one year.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of:

	December 31,	
	2018	2017
Software	\$ 444,250	\$ 444,250
Hardware	270,023	270,023
Office furniture	96,147	96,147
Office equipment	38,220	36,022
	848,640	846,442
Accumulated depreciation	<u>(809,856)</u>	<u>(750,268)</u>
	\$ 38,784	\$ 96,174

Depreciation expense for the years ended December 31, 2018 and 2017, was \$59,588 and \$166,551, respectively.

AMERICANS FOR PROSPERITY
(A Subsidiary of Americans for Prosperity Foundation)

Notes to Financial Statements

December 31, 2018 and 2017

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following state chapter activities:

	December 31,	
	2018	2017
Michigan	\$ 2,886	\$ 2,886
Oregon	120,785	120,785
	<hr/> <u>\$ 123,671</u>	<hr/> <u>\$ 123,671</u>

6. RELATED ORGANIZATION

AFP operates under a subsidiary agreement with Americans for Prosperity Foundation (APPF). The agreement addresses shared personnel, shared office space and facilities, and shared overhead costs. The shared expenses are allocated based on direct compensation and actual usage plus an appropriate markup. In accordance with the agreement, the balance due to or from APPF is settled on a monthly basis. If the balance is not settled, interest accrues on the outstanding balance at six-percent per month with a one-percent penalty. Occupancy and administrative expenses allocated to AFP from APPF totaled \$1,144,335 and \$2,532,178 for the years ended December 31, 2018 and 2017, respectively. Salaries and administrative expenses allocated to APPF from AFP totaled \$3,106,032 and \$4,971,035 for the years ended December 31, 2018 and 2017, respectively. The total due to APPF from AFP as of December 31, 2018 and 2017, was \$287,224 and \$-0-, respectively. The total due from APPF to AFP as of December 31, 2018 and 2017, was \$914,392 and \$2,315,622, respectively.

7. DONOR CONCENTRATION

During the years ended December 31, 2018 and 2017, AFP received 85% and 86% of its total contributions from two and five donors, respectively, and 100% of its total contributed services from three donors for both years.

8. DIRECT MAIL COSTS

During the years ended December 31, 2018 and 2017, AFP incurred fundraising direct mail costs of \$1,634,511 and \$783,814, respectively. These costs have been reported as part of fundraising and membership development expenses.

9. DISREGARDED ENTITY

AFP is the sole owner of an LLC, which is a disregarded entity for tax purposes. As such, any activity in the LLC or assets owned by the LLC is recorded in the accompanying financial statements.

AMERICANS FOR PROSPERITY
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Notes to Financial Statements

December 31, 2018 and 2017

10. STATE CHAPTER ACTIVITES

Expenses by state chapter are as follows:

	Year Ended December 31,	
	2018	2017
Alaska	\$ 199,046	\$ 430,237
Arizona	763,600	1,040,880
Arkansas	228,935	423,792
Colorado	2,855,395	1,201,755
Florida	2,962,836	2,854,528
Georgia	225,802	383,986
Illinois	137,913	406,361
Indiana	520,908	2,816,069
Iowa	409,710	576,162
Kansas	550,873	975,674
Kentucky	205,359	468,582
Louisiana	465,204	510,605
Maine		480
Michigan	1,283,116	612,589
Minnesota	212,334	227,599
Mississippi	153,756	353,213
Missouri	3,221,442	2,032,916
Montana	1,040,930	410,579
Nebraska	164,224	328,890
Nevada	531,319	1,079,689
New Hampshire	273,880	361,067
New Jersey	155,600	265,838
New Mexico	322,175	580,676
North Carolina	748,600	1,080,489
North Dakota	258,159	105,396
Ohio	649,528	1,617,388
Oklahoma	342,038	432,139
Pennsylvania	587,465	868,351
South Carolina	74,998	255,767
South Dakota	302,270	341,655
Tennessee	1,831,286	526,819
Texas	1,307,447	1,990,671
Utah	239,180	474,293
Virginia	402,657	5,559,895
Washington	16,293	18,614
West Virginia	158,926	261,193
Wisconsin	3,464,966	2,895,668
	<hr/> <u>\$ 27,268,170</u>	<hr/> <u>\$ 34,770,505</u>

AMERICANS FOR PROSPERITY
(A Subsidiary of Americans for Prosperity Foundation)

Notes to Financial Statements

December 31, 2018 and 2017

11. COMMITMENTS

AFP recognizes rent expense on a straight-line basis during the term of its leases, with the difference between rent expense recognized and rent payments made reported in accounts payable and accrued liabilities on the statements of financial position.

AFP maintains operating leases for office space for state chapters in multiple states. Monthly rents range from \$1,200 to \$4,122. Leases expire at various dates through 2023. Minimum base lease payments for future years are as follows:

<u>Year Ended December 31,</u>	
2019	\$ 511,295
2020	426,951
2021	319,630
2022	164,465
2023	<u>66,650</u>
	<u><u>\$ 1,488,991</u></u>

Total state chapter lease expenses were approximately \$1,922,000 and \$791,300 for the years ended December 31, 2018 and 2017, respectively.

12. RETIREMENT PLAN

AFPF maintains a defined contribution 401(k) plan covering substantially all AFP full-time permanent employees. AFP matches 100% of the first 3% an employee contributes and 50% of the next 2% an employee contributes. Effective November 1, 2018, AFP matches 100% of the first 6% an employee contributes. Employer contributions for the years ended December 31, 2018 and 2017, were \$748,554 and \$372,635, respectively.

13. CONTINGENCY

AFP is subject to claims, legal proceedings, and investigations of matters that arise in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance or by accruals and, if not so covered, are without merit and will be vigorously contested or are of such kind or involve such amounts as would not have a significant effect on the financial position or results of operations of AFP if disposed of unfavorably.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 4, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.